



Annual Report 1975

BEAVER ENGINEERING LIMITED



Dear Shareholder:

I would like to invite you to read all of this 22nd Annual Report of Beaver Engineering Limited. It relates some of the problems and some of the successes that have occurred during 1975. In addition, it views the future in terms of our organization, its objectives and the opportunities which are ahead for Beaver.

The company has experienced some difficulties in reaching its operating objectives for 1975. However, accomplishments and progress were made in many areas, and for this, the plaudits belong to the directors, officers, dedicated employees and most importantly, the customers who have allowed us the opportunity to be of service.

With our current backlog of orders, with confidence in our organization and with knowledge of our markets, I predict considerable progress for Beaver during 1976.

W. H. Harper
President

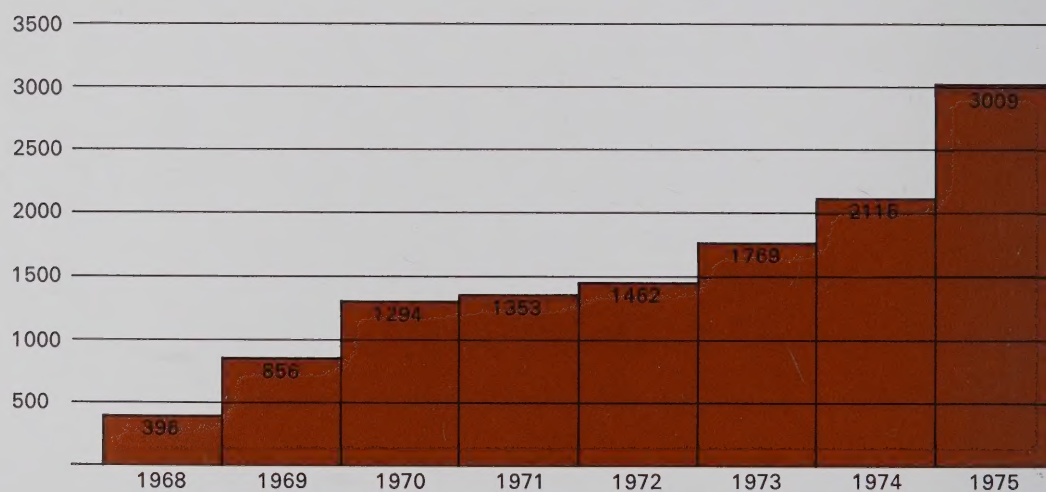
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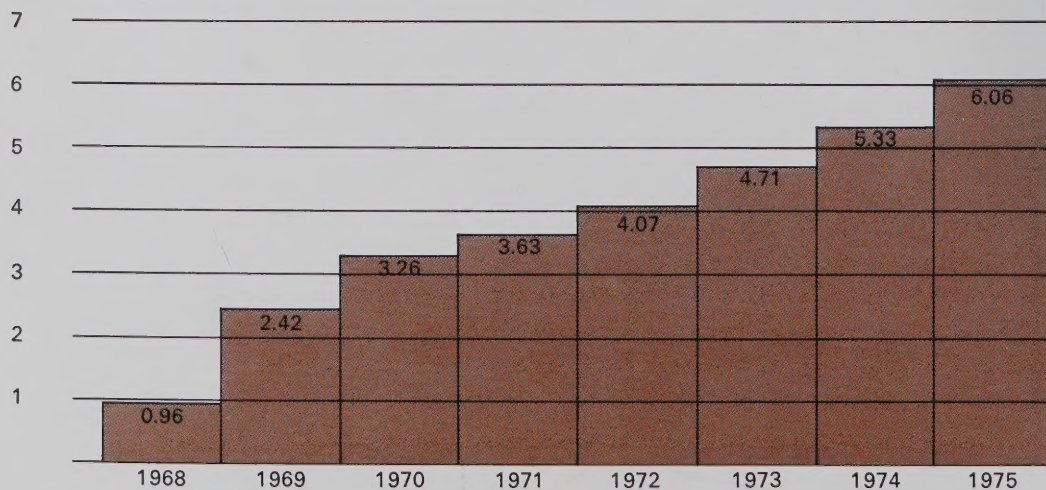
Financial Highlights

	1975	1974	Increase or (Decrease)
Sales	\$11,765,000	\$14,462,000	(18.6)%
Net Operating Earnings after Taxes	223,000	485,000	(54.0)%
Net Extraordinary Gain after Taxes	335,000	—	
Total Earnings after Taxes	558,000	485,000	15.1%
Total Earnings per Share	.93	.81	15.1%
Dividends per Class A Share	.20	.18	11.1%
Cash and Short-term Notes	1,001,000	(155,000)	745.8%
Working Capital	3,009,000	2,115,000	42.3%
Shareholders' Equity	3,649,000	3,212,000	13.6%
Backlog of Unfilled Orders at December 31st	3,779,000	2,442,000	54.8%

Working Capital (\$,000)



Equity per Share (\$)



Report to the Shareholders



Board of Directors (L to R) Standing: James C. Baillie, John M. Bankes, William L. Rootham. Seated: Gerald E. Blair, James L. Attwood, William H. Harper, Colin Hersh, Lawrence L. Bell. (Augustus S. Dover was absent).

Your company, Beaver Engineering Limited, in 1975 had a decrease in sales to \$11,765,000 from 1974's \$14,462,000.

Operating profits, too, were lower at \$223,000 which, together with an extraordinary gain on the sale of our real estate, produced total 1975 after tax earnings of \$558,000 or 93¢ per share, compared with 1974, when there was no extraordinary gain, and the profit was \$485,000 or 81¢ per share.

Our backlog of unfilled orders in hand at December 31, 1975 was \$3,779,000 or 55% above the 1974 backlog of \$2,442,000.

The sale of our building in January of 1975 proved advantageous to the company in many ways including the contribution to earnings from this extraordinary gain. Our cash position is much stronger, our working capital considerably improved, and plans are being developed for thoroughly suitable premises for our operations to be available within the next three years.

The cash position at December 31, 1975 was \$1,156,000 better than at the same time the previous year, and our current ratio was 3:1.

Beaver Service and Branch Operations were successful in their pursuit of sales and profits in 1975. The concept of a closer local manager connection with customers and the skilled field forces that fill their needs has been producing good results. During the year, two new branches were opened (St. Catharines and Ottawa) as well as three new service depots.

Our refrigeration workers in Ontario are all covered by an agreement that carries through to April 30, 1978. This three year agreement was not finalized until late June, but was made retroactive to May 1, 1975 and resulted in an unrecoverable cost of approximately \$50,000 charged primarily against our service operations (referred to in our second quarterly report).

Beaver Wholesale Division, which provides pipe, valves and fittings on a wholesale basis to industry, had another banner year with increases in both sales and profits. This is a commendable performance considering the shortage of steel pipe for the first

half of the year, the downturn in the industry's business activity during the last half of the year, and the disadvantageous position the division was placed in when the Federal Government would not allow a refund of taxes paid when the sales tax rate was reduced from 12% to 5%.

The major competitors in this business are large international corporations who suffered no disadvantage because of the tax change, which left us to compete with them while contending with at least a 7% higher cost on the inventory on hand at the time.

Mr. E. J. Kelley, General Manager of our Wholesale Division since 1972, was made a Vice President of the corporation during the year.

Beaver Engineering Contracting had a very difficult and one of the most frustrating years in the company's history. Contracting sales dropped substantially below our target and more than accounted for the difference between 1975 and 1974 total sales. Because of the scarcity of work, market prices dropped in some instances to levels below our estimated costs. This situation precipitated action. By mid-year, steps had been taken to reduce overheads to be more in line with revised sales forecasts. Simultaneously, a longer range plan was being developed which officially went into action January 1st, 1976. Orders booked during 1975 were only slightly below our budget, but the bookings were heavier in the latter part of the year and so were not

uniformly processed throughout the year. As a result, our contracting backlog was high at year end and a considerable volume of work booked in 1975 will carry over to be processed in 1976.

Beaver Manufacturing has demonstrated its ability to satisfy requirements for which there is no comparable commercially available solution. The concept has generated much interest which led to numerous enquiries, some of which have resulted in adding to our backlog of booked business as well as our excellent prospects.

Late in the year, a substantial order was received for 21 large, custom designed, prefabricated equipment rooms for a major project in British Columbia. Each unit will be 10' wide x 10' high x 41' long and will weigh approximately 35,000 pounds. This order contributed to our increased backlog and will provide a heavy shop load through the first six months of 1976.

Energy Conservation became more obviously a necessity during 1975. Your company, with a major involvement in the service industry, has for years been conserving energy for our customers by maintaining heating, cooling and ventilating equipment so that it will operate at its peak efficiency. This concept has now been expanded to make available to

our customers, engineers who are proficient in examining existing facilities and installations and capable of reporting and recommending, in detail, changes in plant or in operating methods that will result in conserving energy and minimizing the use of utilities.

The Board of Directors, comprised of experienced executives who are knowledgeable, dedicated and genuinely interested, diligently serve the shareholders as they carefully deliberate and decide on company affairs. Two new directors joined the board in April of 1975 and are already making meaningful contributions. They are John M. Bankes, who was a Vice President of the Royal Bank of Canada before his retirement last October, and James C. Baillie, a partner in the law firm of Tory, Tory, DesLauriers and Binnington. The board includes four Beaver officers and five "outside" members from different business backgrounds.

The Administration Department, under the direction of James L. Attwood, Executive Vice President and Secretary, made considerable progress in all areas. Significant gains were made in the areas of personnel development, administration of personnel policies and improvement in our employee benefit programmes. Our computer has been used effectively for accounting records, operating statistics and expanded management information systems.

Financially, our cash was used to offset the increased cost of renting over owning our headquarters property.



Administrative Executives checking a report from the company owned computer. (L to R) David A. Holman, Corporate Controller, James L. Attwood, Executive Vice President and Wesley L. B. Watts, Treasurer.

Interest earned in 1975 was \$56,000 compared to interest costs of \$56,000 in 1974. Rental costs for our headquarters in 1975 were \$132,000 which compares with owning costs in 1974 of \$25,000.

Our accounts receivable are down by 33% and our accounts payable are down by 38%. Although our business is also down, these are appreciable improvements in absolute dollars, and as a percentage of sales.

Dividends on Class A participating shares were paid in 1975 at the rate of 20¢ per share compared with 18¢ in 1974. Class B participating shares

received tax paid dividends totalling 17¢ in 1975 compared to 15.3¢ in 1974.

The company is prepared to take advantage of its fluid position in connection with opportunities that might accelerate our plans for expansion.

W. H. Harper
President

March 10, 1976

Beaver and the Future

This annual report has so far dealt primarily with causes and results of Beaver's operations in 1975. Now, it's time to look into what faces us in 1976 and gain some insight into the company, its goals, its organization and how it might cope with the future.

Company Philosophy

In all of our undertakings, we must strive for perfection. We would like to conduct all our affairs so that "No one will ever regret dealing with Beaver." We will continue to broaden our services to better serve our customers.

The company has been pursuing a specific course to solidify the repetitive nature of the majority of its business. Our Air Conditioning Division must cater to service the needs of repetitive buyers with growth plans; our Wholesale operation that supplies pipe, valves and fittings to industry must do so better than any competitor; and our custom Manufacturing facility must serve customers who care about having something better than the lowest acceptable standard.

Beaver must be a good place to work so that we can attract, train and maintain the highest calibre of employee available to ensure the quality of workmanship that is a tradition at Beaver.

Some Government Regulations and Costs

It may be that the Anti-Inflation Act will include Beaver as one of the controlled companies because of our involvement in the construction industry. Until further clarification is made, its exact effect cannot be measured, although management's understanding is that even if we are a controlled company, the rules will permit our anticipated increase in earnings during 1976.

The Workmen's Compensation rate for 1976 has been increased by 22½% plus an increase of 25% in the earnings ceiling from \$12,000 to \$15,000 and there is still the likelihood of a further increase. It is interesting to note that Beaver has contributed about ¼ of a million dollars more to the Workmen's Compensation Board than Beaver employees have claimed. Under government control, there is no individual reward to a company working safely, only an additional penalty if claims are too high. If this was, as it is in other parts of the industrialized world, an insured coverage with a private carrier, individual corporate rates could be applicable, and firms working carefully like ours would enjoy a lower cost. The assessment for Unemployment

Insurance costs in 1976 has increased by up to 27.4% over 1975.

In 1975, out of our \$11,765,000 sales, over \$2,000,000 or 17.4% goes to governments, about 2% ends up as net earnings from operations, and half of this, or 1%, was paid out to the shareholders as dividends. The 1% that's left does not represent a great potential for reinvestment to foster growth, generate new jobs or create opportunities for the future. Hopefully, for the future of this country, the governments will husband their 17.4% well.

Employee Income Tax Deductions	\$1,000,000
Federal and Provincial Sales Taxes	500,000
Federal and Provincial Corporate Income Tax and Municipal Tax	300,000
U.I.C., W.C.B., C.P.P., Provincial Medical Plans	250,000
Net Earnings From Operations	223,000

OPERATIONS

The operations of Beaver Engineering Limited are conducted through three separate divisions.



Air Conditioning Division plan to broaden Beaver services. Seated is Colin Hersh, Executive Vice President responsible for the Division with Mike Williamson, Vice President, Western Region (standing) and Gerry Blair, Vice President, Toronto and Eastern Region (leaning forward).

Air Conditioning Division

Colin Hersh, Executive Vice President of Beaver, is General Manager of all of our air conditioning activities. Dedicated to provide a more individualized service for our customers, the branch operation approach is intended to be expanded so that we will have as soon as practical the necessary full fledged branches to serve the country. Some of this expansion will be from within and some by way of acquisitions.

Two corporate Vice Presidents, Gerald E. Blair and Michael A. Williamson, share the responsibility on an East-West Regional basis for existing and expanding operations.



Executive officers review reports in Library. (L to R) President, William H. Harper, and Executive Vice Presidents, James L. Attwood and Colin Hersh.



Air Conditioning Divisional Vice Presidents, Tony King (Service Administration) and Ray Walduck (National Accounts) confer with Engineering Manager Tony Dallaway.

In addition at Air Conditioning headquarters, two Divisional Vice Presidents, W. Tony King and T. Raymond Walduck, are responsible for National Service Administration and National Accounts respectively.

The Branch operations are supported when and where required through a sales, engineering and construction facility from the Air Conditioning divisional headquarters.

This entire operation orbits around the particular needs of our customers and is capable of expanding wherever practical to meet these requirements.

Obviously, good service improves the operating efficiency of mechanical equipment. The national need to conserve energy, together with the rapidly escalating cost of utilities, will ensure an ever increasing service business. An extended engineering service to our normal customers embraces energy conservation investigations and reports to minimize operating costs and eliminate unnecessary waste.

Manufacturing Division

The manufacturing division of Beaver, under the direction of Gordon S. Macivor, concentrates on the design, sale and shop fabrication of specialized units and products used for particular purposes where the proper equipment is not commercially available.

Again, as utility costs increase and energy becomes more scarce, heating, ventilating and air conditioning systems must be designed and their components selected on a customized basis to meet exactly the needs of each particular application.

The acceptance of this premise has caused a considerable increase in the interest in and the orders for custom engineered Beaver prefabricated apparatus rooms designed with economical operation in mind.

Once, the lowest first cost was the prime determining factor in purchasing new systems. Now, the life cycle cost embracing first (or owning) costs, together with operating and

maintenance charges over a specific period, or the expected life of the system, is much more important, and must be considered when selecting the most acceptable plant.

It is our firm belief that the more careful the investigation and study, the more likely the conclusion will be reached to go with a Beaver custom engineered prefabricated system.

Our position in this business will continue to improve as buyers become more knowledgeable and more discriminating in their specifications. The 1976 volume is anticipated to be more than double our 1975 business.



Manufacturing Manager, Gordon S. Macivor (left) and Charles E. Bell, Director of Industrial Sales, discuss the placement of the sensing element for the energy conserving enthalpy controller in a Beaver prefabricated unit.

Wholesale Division

Earle J. Kelley, Vice President of Beaver, is responsible for our Wholesale Division. Under his management, continuous progress has been made since its acquisition in 1972.

At the end of 1975, we were serving an ever increasing number of customers in a thoroughly satisfactory manner. Predictions for 1976 embrace a substantial increase in business and we are confident about meeting this objective.

The availability of product is more predictable than it was last year and the expectation is that prices will be more stable. The machine shop and custom



Earle Kelley, Vice President in charge of Wholesale Division discusses scheduling of an order with Mike Doi, Sales Order Supervisor and a senior sales representative John Lowins.

pipe-tube shop augment the available services and products for our customers. It is interesting to note that nearly 10% more regular customers were served during 1975 than 1974.

Energy Conservation

Obviously, there is a limited quantity of known natural resources capable of producing energy as we know it. As the shortages become more acute, and the date of total depletion draws closer, the need to conserve will be far more apparent than it is today, and the cycles of price increases will accelerate even more rapidly.

The sooner we all become more conscious of the need to conserve and begin the process, the longer supplies will last. However, an additional incentive is the obvious opportunity to save money. Ontario electrical energy costs seem to be escalating at the rate of 22% per year, with oil and gas over the last two years exceeding that rate of climb.

Many things can be done to conserve energy and minimize utility costs that are just common sense. However, other items require a knowledgeable engineering approach to investigate existing plants and devise what changes and automations might result in substantial savings. We offer such a service to our customers.

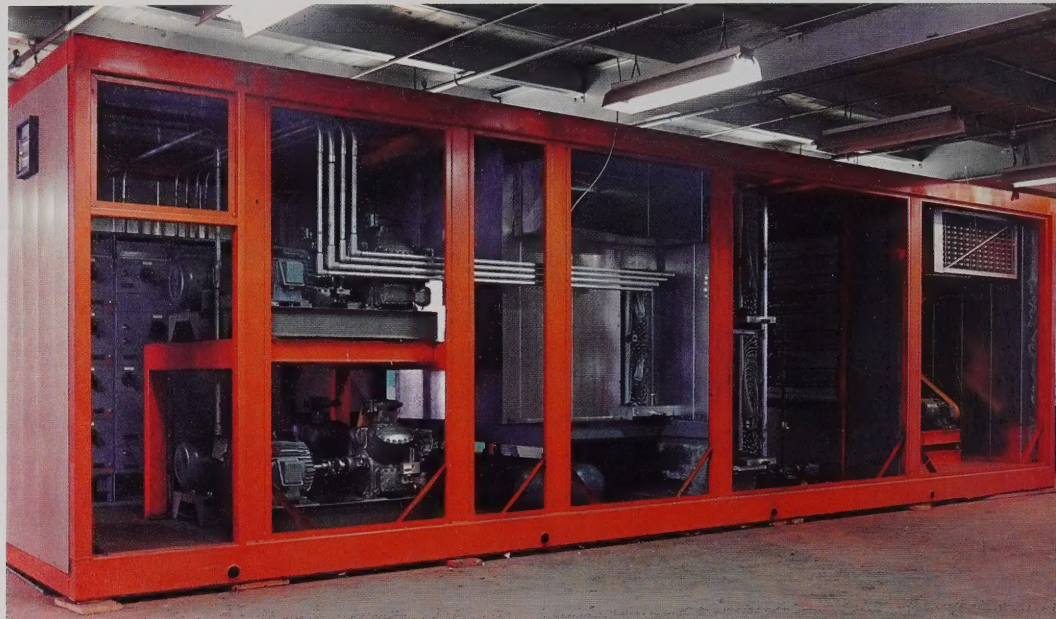
Beaver Engineering has proven experience in designing, making, installing and servicing energy consuming and converting systems. We view the crisis as an excellent opportunity for us to broaden our scope of services as well as to accelerate and augment our usual servicing schedules because of the merits of having systems always at maximum efficiency.

New technology will continue to play a part in the energy field. Knowledgeable buyers will insist on inbuilt system efficiencies and first cost will no longer be the vital consideration in acquiring new heating, ventilating and air conditioning plants. Computer involvement is beneficial to fully consider projected owning and operating costs as well as the merits of additional individual system refinements. This company will continue to further its engineering technology so as to always remain a leader in the field, provide the best of services to our customers, and broaden our business at the same time.

The absolute necessity to conserve energy and eliminate waste could have a most profound effect on this industry in general and Beaver Engineering Limited in particular.

Beaver Prefabricated Industrial dehumidification unit custom designed and shop fabricated for a Goodyear Canada Inc. plant in St. Hyacinthe, P.Q. The engineering provides for up to one million btu's per hour of heat reclamation.

Prepainted, insulated, sandwich metal wall panels and access doors not yet installed.



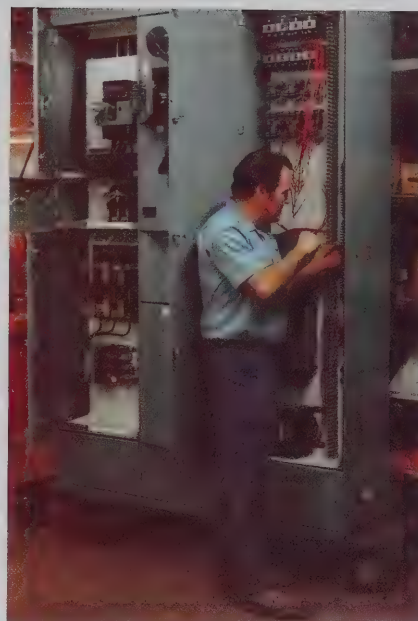
Beaver Energy Conservation Engineering Specialist Robert Thwaites with Master Journeyman Mechanic Verne Byers and Joe Carricato, Technical Service Supervisor using a direct reading electronic combustion efficiency analyser to adjust the settings on a large industrial boiler.



Pipe Tube Shop at Beaver Wholesale is capable of forming, bending, fabricating or assembling virtually any piping requirements to exacting standards. This is a 32' length of 6" steel tube, precisely shaped for a particular process.

Wholesale Division pipe bay showing a small part of the 4,000 different items of specialized pipe, valves and fittings carried in inventory to serve our industrial customers. (middle)





Electrical wiring of a Custom Control Panel by Beaver manufacturing personnel.

Beaver Manufacturing Division's prefabricated penthouse unit installed on the roof of the Chrysler Canada Ltd. new 600,000 sq. ft. Truck Plant in Windsor. This is one of thirteen units with cladding to match the building. Giffels Associates Limited, Consulting Engineers. Eastern Construction Company Limited, General Contractor. (middle)



Beaver Service Vehicles are a part of our fleet of 135 vehicles. The smaller units were first added in 1974 for a specific type of service work, and have proven both satisfactory and economical. Several new units were added in 1975 and more are contemplated.

Carrier and Beaver—two great names in Air Conditioning have been working together for nearly 23 years. Room coolers are supplied to industry on a wholesale basis. (middle)



Machine shop at Wholesale Division has a capability of cutting and threading tubes and pipes of all sizes, weights and materials to suit customer's order.

BEAVER ENGINEERING LIMITED AND SUBSIDIARIES

Consolidated Statement of Earnings for the year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Sales	\$11,765,000	\$14,462,000
Cost of sales, selling, administrative and other expenses – exclusive of the items listed below	11,249,000	13,285,000
Depreciation and amortization	147,000	142,000
Interest (income) expense – net	(56,000)	56,000
	11,340,000	13,483,000
Earnings for the year before income taxes and extraordinary item	425,000	979,000
Provision for income taxes	202,000	494,000
Earnings for the year before extraordinary item	223,000	485,000
Extraordinary item		
Gain on sale of land and building (net of applicable income taxes of \$90,000)	335,000	—
Net earnings for the year	\$ 558,000	\$ 485,000
Earnings per share		
Earnings before extraordinary item	\$0.37	\$0.81
Net earnings	\$0.93	\$0.81

Consolidated Statement of Retained Earnings for the year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Retained earnings, beginning of year	\$2,611,000	\$2,234,000
Net earnings for the year	558,000	485,000
	3,169,000	2,719,000
Less:		
Dividends (including relevant tax paid on Class B dividends)	121,000	108,000
Retained earnings, end of year	\$3,048,000	\$2,611,000

BEAVER ENGINEERING LIMITED AND SUBSIDIARIES

(Incorporated under the Laws of Ontario)

**Consolidated Statement of Financial Position
as at December 31, 1975**

(with comparative figures for 1974)

	1975	1974
Current Assets		
Cash and short-term notes	\$1,001,000	\$ —
Accounts receivable	2,002,000	2,989,000
Inventory	1,218,000	1,051,000
Costs and estimated earnings in excess of billings on uncompleted contracts	279,000	396,000
Prepaid expenses	17,000	3,000
	<u>4,517,000</u>	<u>4,439,000</u>
Deduct :		
Current Liabilities		
Bank indebtedness	—	155,000
Accounts payable and accrued charges	962,000	1,555,000
Income taxes (including deferred of \$96,000 in 1975 and \$121,000 in 1974)	134,000	279,000
Allowance for warranties	39,000	54,000
Deferred income on service contracts	373,000	281,000
	<u>1,508,000</u>	<u>2,324,000</u>
Working Capital	3,009,000	2,115,000
Add :		
Fixed assets (Note 2)	565,000	1,148,000
Deferred charges	—	12,000
Goodwill	133,000	133,000
Total Investment	<u>3,707,000</u>	<u>3,408,000</u>
Deduct :		
Long-term debt	—	148,000
Deferred income taxes	58,000	48,000
	<u>58,000</u>	<u>196,000</u>
Shareholders' Equity	<u>\$3,649,000</u>	<u>\$3,212,000</u>
Represented by :		
Share capital (Note 3)	\$ 601,000	\$ 601,000
Retained earnings	<u>3,048,000</u>	<u>2,611,000</u>
	<u>\$3,649,000</u>	<u>\$3,212,000</u>
On behalf of the Board		
W. H. Harper, Director		
J. L. Attwood, Director		

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Source of funds		
From operations		
Net earnings for the year before extraordinary item	\$ 223,000	\$ 485,000
Depreciation and amortization	147,000	142,000
Non-current deferred income taxes	10,000	19,000
	<u>380,000</u>	<u>646,000</u>
Net proceeds on sale of land and building	994,000	—
	<u>1,374,000</u>	<u>646,000</u>
Use of funds		
Purchase of fixed assets — net	211,000	169,000
Debt repayment	148,000	11,000
Investments in subsidiaries	—	12,000
Dividends	121,000	108,000
	<u>480,000</u>	<u>300,000</u>
Increase in working capital	894,000	346,000
Working capital, beginning of year	2,115,000	1,769,000
Working capital, end of year	<u>\$3,009,000</u>	<u>\$2,115,000</u>

AUDITORS' REPORT

The Shareholders,

Beaver Engineering Limited.

We have examined the consolidated statement of financial position of Beaver Engineering Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 23, 1976.

Tamara Ross & Co.
Chartered Accountants.

Notes to Consolidated Financial Statements December 31, 1975

1. Accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies.

(b) Inventory

Inventory amounts are based upon physical determinations at the year-end and have been stated at the lower of cost and net realizable value.

(c) Recognition of income

(i) The Company records revenue and profits on uncompleted construction contracts based on the percentage of completion method, determined by the ratio of costs incurred to management's estimate of total anticipated costs.

(ii) Income on service contracts is recognized over the term of the relevant contracts.

(d) Fixed assets

The Company records property, plant and equipment at cost. Depreciation is provided at appropriate rates to allocate original cost over the useful lives of the assets. Maintenance and repairs are charged against earnings as incurred.

(e) Goodwill

Goodwill is valued at the excess of the purchase prices of companies over the book values of their net tangible assets at the time of acquisition. Management has not adopted a policy of amortizing goodwill.

(f) Earnings per share

Earnings per share are calculated on the basis of 602,150 shares outstanding which were the number of shares outstanding at the end of both years 1975 and 1974. The exercising of options outlined in Note 3 would not have a dilutive effect on the earnings per share.

(g) Pension plan

The Beaver pension plan is a money purchase plan which has no unfunded liability for either past or future service. All current costs are expensed as incurred.

(h) Taxes on income

The financial statements include appropriate provision for taxes on income for all taxable items in

net earnings regardless of the period when such taxes are payable. Income taxes on recorded profits on uncompleted contracts are deferred by the use of the completed contract method for tax purposes. Since the costs and estimated earnings in excess of billings on uncompleted contracts are classified as current assets the related deferred tax is shown as a current liability, although it may not be payable within one year. Non-current deferred income taxes result from the Company claiming a greater amount of depreciation for tax purposes than is charged to income in the financial statements.

2. Fixed assets

	1975	1974	Depreciation Rates
Fixed assets, at cost			
Land and building	\$ —	\$ 758,000	
Machinery and equipment	248,000	215,000	5-10% straight-line
Vehicles	545,000	460,000	30% diminishing balance
Furniture and equipment	239,000	230,000	5-10% straight-line
Leasehold improvements	40,000	19,000	Straight-line over term of lease
	<u>1,072,000</u>	<u>1,682,000</u>	
Less accumulated depreciation and amortization	507,000	534,000	
	<u>\$ 565,000</u>	<u>\$1,148,000</u>	

3. Share capital

(a) The authorized capital of the Company consists of 1,200,000 Class A participating shares without par value, 1,200,000 Class B participating shares without par value and 1,000 Common shares without par value.

Class A and B shares are inter-convertible on a share for share basis and along with the Common shares participate equally as to dividends but the directors may provide for the payment of dividends on the Class B shares out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act (Canada), provided that the directors declare a cash dividend on each Class A and Common share then outstanding equal

to the sum of the cash dividend on the Class B shares plus the tax paid to create the relevant tax-paid undistributed surplus on hand.

Changes in the issued share capital of the Company during the year were as follows:

	<u>Class A</u>	<u>Class B</u>	<u>Total</u>
Shares issued and fully paid, December 31, 1974	315,150	287,000	602,150
Class A shares converted into Class B shares	<u>(3,919)</u>	<u>3,919</u>	<u>—</u>
Shares issued and fully paid, December 31, 1975	<u>311,231</u>	<u>290,919</u>	<u>602,150</u>

- (b) At December 31, 1975, 27,850 Class A shares were reserved under a stock option plan, of which the following remain allocated and exercisable at \$5.80 per share:

<u>Number of Shares</u>	<u>Year Granted</u>	<u>Year of Expiration</u>
3,000	1971	1976

4. Lease commitments

The Company is lessee under leases for its plant and office facilities requiring total annual rental payments as follows:

\$132,000 — expiring January 1979

\$ 72,000 — expiring 1976 to 1980

5. Directors' and senior officers' remuneration

The aggregate remuneration paid or payable by the Company to the twelve directors and senior officers during the year amounted to \$272,000 (\$232,000 in 1974 to ten such persons).

6. Anti-Inflation Legislation

The Company is uncertain of the extent to which it is subject to the Federal Government's Anti-Inflation Legislation, which became effective October 14, 1975. This Legislation limits increases in prices, profits and compensation payments. In addition, the Company may be restricted to total dividends of \$0.20 per share in the twelve-month period ended October 13, 1976. The restriction that may apply to dividend payments subsequent to October 13, 1976 has not yet been announced by the Government.

Eight Year Summary

	1975	1974	1973	1972	1971	1970	1969	1968(a)
Operations (in thousands of dollars) :								
Sales	\$11,765	\$14,462	\$13,501	\$9,965	\$7,938	\$8,569	\$6,360	\$5,343
Net Earnings	558(b)	485	467	347	305	429	321	246
Common Stock (based on 602,150 shares outstanding) (in dollars) :								
Earnings per Share	.93(b)	.81	.78	.58	.51	.71	.53	.41
Dividends per Share	.20(d)	.18(d)	.14	.14	.14	0	(c)	(c)
Book Value per Share	6.06	5.33	4.71	4.07	3.63	3.26	2.42	0.96
Balance Sheet (in thousands of dollars) :								
Fixed Assets – Net	565	1,148	1,109	1,069	902	793	737	116
Depreciation Provided	147	142	135	132	91	67	53	22
Purchase of Fixed Assets	211	169	144	276	200	99	674	52
Working Capital	3,009	2,115	1,769	1,462	1,353	1,294	856	396
Shareholders' Equity	3,649	3,212	2,835	2,452	2,188	1,966	1,462	579

(a) Completed contract basis. All other sales are shown as a percentage of completion basis.

(b) Net earnings shown in 1975 are after extraordinary gain of \$335,000 or 55.6¢ per share.

(c) Dividends were paid in these years, but they were applicable to the shares of the predecessor corporations prior to the statutory amalgamation which formed Beaver Engineering Limited in 1969.

(d) Dividends shown are taxable dividends for Class A common shares.

Directors

James L. Attwood, P.Eng.*†
Executive Vice President and Secretary

James C. Baillie
Partner, Tory, Tory DesLauriers &
Binnington

John M. Bankes†
Retired Vice President of the
Royal Bank of Canada

Lawrence L. Bell†
Retired Partner of Richardson
Securities of Canada

Gerald E. Blair, P.Eng.
Vice President

Augustus S. Dover†
Retired General Manager, Paper
Mill Division, Continental Can
Company of Canada Limited

William H. Harper, P.Eng.*
Chairman and President

Colin Hersh, P.Eng.*
Executive Vice President

William L. Rootham, P.Eng.*†
Milwaukee, Wisconsin
Corporate Vice President and General
Manager – Johnson Division
Johnson Service Company

*Member of Executive Committee

†Member of Audit Committee

Officers

William H. Harper, P.Eng.
President

James L. Attwood, P.Eng.
Executive Vice President and Secretary

Colin Hersh, P.Eng.
Executive Vice President

Gerald E. Blair, P.Eng.
Vice President

Michael A. Williamson, P.Eng.
Vice President

Earle J. Kelley
Vice President

Wesley L. B. Watts
Treasurer

David A. Holman, C.A.
Corporate Controller

Divisions

Air Conditioning Division

C. Hersh, Corporate Executive
Vice President
General Manager

G. E. Blair, Corporate Vice President
Eastern Region

M. A. Williamson, Corporate
Vice President
Western Region

W. King, Vice President
Service Administration

T. R. Walduck, Vice President
National Accounts

C. E. Bell
Director of Industrial Sales

Manufacturing Division

G. S. Macivor, General Manager

Wholesale Division

E. J. Kelley, Corporate Vice President
General Manager

Transfer Agent and Registrar

Canada Permanent Trust Company
Toronto, Halifax, Winnipeg, Calgary
and Vancouver

Auditors

Touche Ross & Co.
Chartered Accountants

BEAVER ENGINEERING LIMITED

Head Office
70 Queen Elizabeth Boulevard
Toronto, Ontario M8Z 1M4

Wholesale Division
45 Cranfield Road
Toronto, Ontario M4B 3H6

Branches and Depots
Barrie, Belleville, Brantford, Dartmouth,
Hamilton, Kingston, Kitchener, London,
Moncton, Oshawa, Ottawa, Sarnia,
St. John's, St. Catharines, Sault Ste.
Marie, Sudbury, Sydney, Windsor.

